

Social and Affordable Housing Initiatives

BORROWER GUIDE

OBJECTIVES

CAIC is mandated by its members to make loans available to groups working to provide social and affordable housing. CAIC will only consider applications where other sources of affordable financing are not available. The cooperative does not make interest free loans. Interest rates will be set on a case by case basis. (See interest rates below.)

CAIC has an obligation to its members to preserve the lending pool and therefore will not lend to projects with excessive risk. CAIC will therefore only lend to projects that it feels have a high probability of success and where the group has demonstrated that CAIC's investment will be protected in the event of default. Included in the loan package is a full list of the attributes that CAIC feels are essential for success. Demonstrating that your group has all these characteristics will greatly enhance your application's likelihood of success.

What is CAIC looking for in a Borrower?

A wide range of skills, experience and financial resources are required to successfully complete a project. In addition a lot of groundwork is required before a project can be presented to CAIC as we does not have the resources or staff to help a group in developing a workable plan. The following is a short list of the things that CAIC must see demonstrated in an application.

Expertise - the applicant must demonstrate either that its staff/board has sufficient skill to undertake and manage a proposed project or that it has access to these skills in the community.

Financial Planning - the applicant must show that the project and the organization have long term financial and managerial stability.

Organizational Resources - the organization must have the internal resources (both financial and personnel) to see the project through.

Financial Soundness - the applicant's current operations are financially sound. This includes a functioning financial management system which would include:

- A budgeting process
- A set of accounts which are kept on a timely basis
- A reporting system which includes a regular review of results and comparisons to budget
- An annual review of results preferably by an independent auditor



What is CAIC looking for in a Proposal?

In order for CAIC to assess the loan the proposal must include the items listed below. Although the documentation may not be finalized at the beginning of the application process applicants must be aware that this documentation is required before any loan can be finalized. All estimates and assumptions must be verifiable by a third party.

- 1 There is a demand and need for the housing being proposed. This must be clearly demonstrated and backed up by such means as a market survey.
- 2 The housing will be affordable to the proposed residents, as judged by analysis of rental rates and availability of subsidies.
- 3 An exit strategy which clearly demonstrates how CAIC will recoup its investment at any stage in the event that the project does not proceed.
- 4 A business plan which clearly shows all the project stages and tasks and how they are going to be financed (i.e. mortgage, government or donations) and completed.
- 5 An assessment of potential community issues and a clear demonstration that these issues have been dealt with or there is a plan to deal with them if the need should arise.
- 6 An independent appraisal, which verifies the assumptions, made in the business plan and assures CAIC that the project's collateral will be sufficient to protect CAIC's loan.
- 7 A viable plan for the ongoing operation of the housing including its operating and financial management.
- 8 An environmental certification (usually a Phase I)

(4 and 5 Do not have to be completed before submission to CAIC; however, they will have to be completed before a final approval can be given for the project)

APPLICATION PROCESS

If you think your project might be suitable for CAIC then please call or e-mail us. Our financial manager will discuss your group's project with you and if there is a fit with CAIC's criteria you will be encouraged to complete an application (available on-line or by request). Completed applications will be brought to the board of directors for a preliminary review. If the board wants to consider the application at a second meeting you will be invited to attend to discuss your application. A final decision will be made at this second meeting and you will be informed shortly thereafter.

Security and Default

CAIC will not lend unless the value of the assets securing the loan are greater than CAIC's investment. CAIC works as a partner with its borrowers and will assist however it can in the event of financial difficulty to help ensure that the project survives. However if the terms of the loan are not met CAIC will use any and all legal means including foreclosure to protect its members interests.





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How does CAIC define Social Benefit?

We define socially beneficial housing as:

- Any low cost rental housing
- Housing that will remain perpetually affordable
- Housing that is appropriate to those being housed
- Resident and community controlled housing

PARAMETERS FOR LENDING

Size of the Loan

- Maximum Loan amount \$400,000

Loan Term

- No set minimum term
- Maximum term is 5 years
- Renewals will be considered
- Amortization shall not exceed 15 years

Rates

- Variable and will depend on risk and prevailing market rates.

Total Loan to Value

- 90% for all outstanding debt

Fees

- Successful applications will be assessed a 1% processing fee
- **All CAIC's legal fees will be borne by the borrower.** A legal retainer (\$500 - \$1000) must be returned with accepted loan offer.

Security

- 1st 2nd or 3rd mortgage

Debt Coverage Ratio

- A ratio not less than 1.1